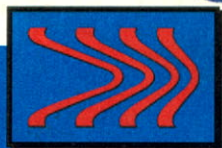


APTC



**Annual
Transportation
Review
1997**

APTC



Annual Transportation Review 1997

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FROM THE CHAIR

The APTC has prepared to move into the next century with a new Mission to develop as the primary source for transportation information, commentary and analysis in Atlantic Canada. This annual journal provides commentary on major transportation policies and issues affecting Atlantic Canada.

The past year has seen major changes in the way the transportation system serving the Atlantic Provinces is managed and operated. The application of advanced electronic data interchange and information technologies hold the potential to substantially improve the safety and efficiency of our transportation system. The challenge for the transportation sector in Atlantic Canada will be to select those systems and technologies which are best suited to our traffic patterns and infrastructure. The APTC is in the forefront of these activities.

I hope you enjoy the commentary provided in this journal and encourage any comments or suggestions you may have.

A handwritten signature in black ink, appearing to read 'James S. Cowan', with a long, wavy horizontal line extending to the right.

*James S. Cowan
Chair*

INTRODUCTION

Infrastructure development and investment in Atlantic Canada in 1997 was unprecedented. The resulting improvement in the safety and efficiency of the system will benefit this region for many years.

The most significant achievement of 1997 was the opening to traffic of the Confederation Bridge linking Prince Edward Island to the mainland. The convenience and efficiency of the bridge, compared to the former ferry system, contributed significantly to a large increase in the Island's tourism economy in 1997 and provided significant operational and cost savings for carriers moving freight to and from the Island.

The opening of the Cobequid Pass Highway, circumventing the Wentworth Valley in Nova Scotia, along with the Trans Canada Highway between Salisbury and Aulac in New Brunswick, completed the construction of a four-lane, divided highway between the major centres of Halifax and Moncton. Significant progress was made between Moncton and Saint John, with only two small sections remaining to be completed. The New Brunswick government awarded the contract for a four-lane, divided highway between Moncton and Fredericton late in the year. Highway improvements were also underway in many other areas of the region, including the Trans Labrador Highway. Despite the controversy over tolling on sections of the new network, the tremendous improvement in safety and quality will serve this region for many years.

The management and operation of many of the Atlantic Region's transportation services and facilities also changed significantly. Local and community agencies and private business assumed the ownership and/or operation of airports, marine ports, highways, bridges and ferry services during 1997. This trend will continue as the federal government looks to local communities and the private sector to assume responsibility for the operation of transportation services and facilities. This process is not without problems and the consequences of this major change in public policy will not be known for many years.

The APTC continued implementation of its strategic plan during 1997. Previous restrictions on Board membership were removed. Major changes in the way the APTC provides services to its clients were implemented, along with a fee structure for the first time. A subscription-based internet website, the Atlantic Transportation *InfoSOURCE*, was developed and introduced so that clients could more quickly and conveniently access the APTC database of service providers. It also allows the APTC to make important information available in a more timely fashion. Use of the website grew steadily throughout the year. Further development of the website is planned and it will become the major communication vehicle of the APTC as we enter the next millennium.

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REGIONAL OVERVIEW

Rail

Canadian National (CN) posted its best year in history. 1997 income from continuing operations was \$421 million — 42% higher than adjusted 1996 income from continuing operations of \$296 million. Revenue, carloads and on-time performance all reached record levels in 1997, with CN also posting its best-ever safety performance. Operating income for 1997 was \$807 million, an increase of 32% over adjusted operating income of \$610 million for 1996.

CN announced the opening of its new Chicago CargoFlo terminal on June 26, 1997. This addition to CN's breakbulk facility network brings the number of CargoFlo terminals to 22, all of which are located at strategic points across Canada and the northern United States. The CN-owned facility is operated by Chemical Leaman Tank Lines Inc., another major bulk-products transportation operator.

On October 24, 1997, CN announced it had reached an agreement in principle to sell its 485-kilometre (301-mile) rail line between Moncton, NB, and Mont-Joli, PQ, to two wholly-owned subsidiaries of the Quebec Railway Corporation (QRC); namely, the New Brunswick East Coast Railway and the Matapedia Railway. The transaction was subject to approval by the Board of Directors of CN and the QRC, and was expected to close by year-end. On December 22, 1997, the sale was concluded. Transfer of operations was scheduled to take place on January 19, 1998. The New Brunswick East Coast Railway Company acquired the line between Campbellton and Pacific Junction, NB, located near Moncton, while the Matapedia Railway purchased the line between Mont-Joli, PQ, and Campbellton, NB. The Matapedia Railway also connects with the Baie des Chaleurs Railway at Matapedia, PQ, another QRC wholly-owned subsidiary.

On November 5, 1997, Autoport Limited became the first automotive import facility in North America to earn ISO-9002-1994 Registration. Autoport, is a wholly-owned CN subsidiary located at Eastern Passage, NS.

In late November, 1997, the Railway Association of Canada (RAC) announced an agreement to automate the customs clearance of goods entering Canada by rail, developed in collaboration with the Canadian Society of Customs Brokers and Revenue Canada-Customs. In addition to trimming 48 hours, on

average, from delivery times, the new system will save shippers the cost of maintaining bonded rail sidings, lower their brokerage costs and eliminate unnecessary demurrage fees. During the past year, six railways participated directly in the development of the new border clearance system, under the auspices of the RAC: Canadian Pacific, Canadian National, Wisconsin Central, Burlington Northern Santa Fe, CSX Transportation and Norfolk Southern. The US Customs service already used a similar system, developed during the past two years, to automate customs clearance of southbound rail traffic. Both the US and the Canadian systems rely on an international electronic commerce standard known as Electronic Data Interchange. Detailed shipment information is relayed by computer to Customs just before the train reaches the border and, within minutes, a release or inspect notice is issued.

In mid-September, 1997, Transport Minister David Collenette announced that the federal government would provide \$4 million in assistance to improve safety at 36 railway crossings across Canada. Included in the list were allocations to two Nova Scotia crossings; namely, the Elmsdale County Road at \$56,600, and the Truro Park Street at \$112,800. No New Brunswick crossings were included on the list.

The three short line railways in the region, namely, the Cape Breton & Central Nova Scotia Railway (CB&CNS), the New Brunswick Southern Railway (NBSR) and the Windsor & Hantsport Railway Company (W&H) continued to operate successfully in 1997.

Air

Since the introduction of the National Airports Policy by the federal government in 1994, the process of transferring airports has been ongoing. During the year under review, a number of airports were transferred as follows:

- On October 6, 1997, Sydney Airport was transferred to the Sydney Airport Authority. In addition to the transfer of ownership, Transport Canada also provided a financial contribution of \$2,041,000.
- Also on October 6, 1997, Yarmouth Airport was transferred to the Yarmouth Airport Commission. In addition to the transfer of ownership, Transport Canada also provided a financial contribution of \$1,910,000 to facilitate the transition of Yarmouth Airport to full commercialization.
- September 9, 1997, marked the official transfer of operational, managerial and developmental control at Moncton Airport to the Greater Moncton

Airport Authority. Under the National Airports Policy, announced in July, 1994, Moncton Airport was designated as part of the National Airports System (NAS) and an essential component of Canada's air transportation network. The policy called for the operation and management of NAS airports to be transferred to locally based Canadian Airport Authorities made up of community interests.

- On December 16, 1997, the federal government announced the signing of an agreement to transfer Stephenville Airport to the Stephenville Airport Corporation, with the hand-over of airport operations scheduled for the month of February, 1998.

Several letters of intent to enter into formal negotiations to transfer operational, managerial and developmental control of airports were also signed during the year.

- A letter of intent to enter into formal negotiations for transfer of the Charlottetown Airport from Transport Canada to the Charlottetown Airport Authority Inc. was signed on March 27, 1997.
- December 19, 1997, marked the signing of a Letter of Intent to enter into formal negotiations to transfer operational, managerial and developmental control of Saint John Airport from Transport Canada to Saint John Airport Inc. This will be negotiated on the basis of a long-term lease.
- A letter of intent to enter into formal discussions to transfer ownership of Deer Lake Airport from Transport Canada to the Deer Lake Regional Airport Authority Inc. was signed on March 4, 1997.

Expansion and renovations were also undertaken at regional airports during 1997, including:

- On October 14, 1997, Transport Canada announced federal funding of \$7.9 million for the expansion and refurbishment of the air terminal building at Halifax International Airport. Work started on the terminal in mid-October. The work involves the construction of a 1,300-square-metre expansion and external preparation for the second phase. Phase II will involve finishing and renovating the interior of the expanded area.
- On August 13, 1997, the federal government announced federal funding of \$3,801,300 for a safety improvement project at Miramichi Airport under the federal government's Airports Capital Assistance Program. The project involves resurfacing the runway, taxiway and apron; construction of a new

taxiway; upgrading field electrical components and visual aids; the installation of safety fencing; and the purchase of a plow truck, runway sweeper, snowblower and tractor.

- August 13, 1997, also marked a federal government announcement of funding of \$25,000 for a safety improvement project at Bathurst Regional Airport under the federal government's Airports Capital Assistance Program. The project involves replacing the air terminal entrance doors, thus ensuring safer access for persons with disabilities and elderly persons using this facility.
- In early January, 1997, Transport Minister David Collenette announced federal funding of \$2.01 million for a safety improvement project at the Charlo Airport under the federal government's Airports Capital Assistance Program. The project involves the resurfacing of the runway, taxiway and apron; the purchase of a runway sweeper; and the removal of trees and the lowering of power poles to comply with the airport zoning regulations.
- On April 1, 1997, Transport Canada announced federal funding of \$426,100 for a safety improvement project at Saint Leonard Airport under the federal government's Airports Capital Assistance Program. The project involved the purchase of a truck, tractor, snow blower and plow blade for snow removal and airside maintenance.
- A November 7, 1997, ceremony officially opened a new reservoir and pumping facility at the Moncton Airport. Transport Canada contributed \$2.04 million for this initiative, representing 87% of construction costs. The new facility allows Moncton Airport to meet the most recent federal fire protection regulations.

A Halifax Airport Impact Study was released during the year. The study revealed that the Halifax Airport generated \$958.5 million in the province during 1995-96, an increase of almost 21% over the course of the study, conducted between 1989 and 1996. The study, completed for Transport Canada by the SGE Group Inc. of Halifax, updated reports done in 1990 and 1992 by SGE, formerly named the UMA Group. The report confirmed Halifax International's status as the major hub airport in Atlantic Canada. With the hub-and-spoke system in operation, (regional airlines feeding larger companies through Halifax). Over 2.7 million passengers traveled through the airport in 1996, with increases in both domestic and trans-Atlantic flights.

Legislative Changes

Air Services Charges Regulations

The Air Services Charges Regulations are made by the Minister of Transport to impose charges for the use of air facilities or services provided by or on behalf of the Minister. Changes to these regulations were announced during 1997.

The impact of the increases on landing, general terminal and/or aircraft parking charges at each airport is expected to generate in the order of \$4.2 million in additional revenue on a full-year basis. This revenue represents about a 10.1% increase over existing levels, and has been capped at \$2.50 per enplaned/deplaned passenger. The impact represents less than \$1.00 per enplaned/deplaned passenger at about 70% of the airports.

The changes were effective with June 1, 1997, for all airports except Stephenville and Yarmouth airports, which came into effect on November 1, 1997.

International Charters

The Canadian Transportation Agency (CTA) proposed to amend the existing regulations concerning Part III (International Charters) of the Air Transportation Regulations. The proposed amendments to the Air Transportation Regulations, as published in Part I of the Canada Gazette on October 11, 1997, were of concern to the APTC and the following comments were forwarded to the CTA.

The APTC stressed its support and continues to advocate the "National Transportation Policy" statements that:

- competition and market forces are, whenever possible, the prime agents in providing viable and effective transportation services; and,
- economic regulation of carriers and modes of transportation occurs only in respect of those services and regions where regulation is necessary to serve the needs of shippers and travelers and that such regulation shall not limit the ability of any carrier or mode of transportation to compete freely with any other carrier or mode of transportation.

The APTC objected to the proposed amendments to the Air Transportation Regulation which would impose price and service constraints on carriers. The APTC stressed the importance of federal government involvement in regulatory

matters of security and safety only. Economic regulatory control of carriers should be removed whenever possible.

Highway

Regulatory

Nova Scotia Motor Vehicle Act

The Province of Nova Scotia published additions and amendments to their Motor Vehicle Act, including:

- New Commercial Vehicle Carrier Profile and Compliance Regulations which were published in the Nova Scotia Gazette, Part II, dated June 20, 1997.
- New and amended Regulations relating to Vehicle Registrations were also published in the Nova Scotia Gazette, Part II, dated June 20, 1997.
- Amendments to the Weights and Loads of Commercial Vehicles Regulations in Nova Scotia as published in the Nova Scotia Gazette, Part II, dated June 6, 1997. A Schedule "D" (B-Train Routes) was added to their designated highways. These came into effect on May 13, 1997.

NB Tolerance Reduction

The New Brunswick Government approved a three-year phased reduction of the special weight tolerance currently permitted for trucks hauling raw forest products. By the spring of the year 2000, trucks hauling raw forest products will receive the same weight tolerance as that allowed for trucks hauling all other products.

At the end of the phased reduction period, in the spring of the year 2000, New Brunswick's truck weight tolerance for all products will be 500 kg per axle, the same as in the other Atlantic Provinces. New Brunswick is the only province in Atlantic Canada with this special raw forest product weight tolerance.

The three-year phased reduction of the raw forest products tolerance will occur as follows:

- At the end of spring weight restrictions in 1998, the tolerance becomes 700 kg per axle.*

- At the end of spring weight restrictions in 1999, the tolerance becomes 600 kg per axle.*
- At the end of spring weight restrictions in 2000, the tolerance becomes 500 kg per axle.

* Steering axle weight tolerance will remain at 500 kg per axle.

Once the new Fredericton-Moncton Highway Project opens, the only weight tolerance that will be permitted will be 500 kg/axle for all products.

“Raw forest product” designates a wood product which has been subject to no processing, except removal from the stump, removal of limbs, removal of bark and/or cutting into sections of its original length. Woodchips, bark and hog fuel are not considered raw forest products.

The province also announced a grant program to assist truckers hauling raw forest products in the purchase of on-board scales.

NS Carrier Fleet Safety

Effective with September 1, 1997, a new demerit system for commercial vehicle carriers and drivers aimed at making them more accountable for their actions on the highway was implemented in Nova Scotia. Those who do not take care of their fleets will be penalized, and the demerit system will help target efforts toward improving safety performance.

Similar to the passenger driver demerit system, points are assigned to both commercial driver and carrier for various infractions under the Motor Vehicle Act, Criminal Code of Canada, Public Highway Act, Motor Carrier Act, and regulations governing dangerous goods transportation. The maximum allowable demerit points are calculated for each carrier based upon fleet size.

Audits will be conducted at various levels of maximum allowable point accumulation. Convictions, road checks and accidents occurring in other jurisdictions by base-plated vehicles are also entered into the carrier profile.

The carrier demerit system, implemented in all provincial jurisdictions except Prince Edward Island and Quebec, is in response to one of 16 standards developed by the Canadian Council of Motor Vehicles in 1993 to improve the safety of commercial vehicle operations. Since then, various regulations, such as these, have been introduced.

Newfoundland Revamps Facility Audit Program

Newfoundland and Labrador took its carrier safety rating program to an accelerated level by having an auditor dedicated solely to the function of conducting facility audits. The shift has resulted in the Motor Registration Division revamping its existing facility audit program and some of its administrative supports. Safety ratings are now a result of both on-road performance and facility audits. A compliance information package was developed to assist industry in achieving compliance. A review and appeal process with the Licensing Review Board was also put in place for a carrier who wishes to have a decision reviewed prior to any action being taken as a result of an auditors' recommendations.

New Brunswick Carrier Audits

Since the implementation of New Brunswick's carrier profile system in November, 1995, the first meetings with non-compliant carriers took place. Under the system, carriers that reach 25% of their demerit point thresholds must undergo an audit. In the first year, 73 facility audits were conducted and another 45 carriers are earmarked for a review. While no carrier has had its operating authority suspended, a number of carriers have been assigned a conditional rating. Accidents and out-of-service violations are recorded on the profile but only convictions lead to demerit points.

Motor Vehicle Transport Act

Transport Canada has issued a discussion paper on the future of the Motor Vehicle Transport Act with the view of amending it to reflect current market conditions and focus on safety. The discussion paper was circulated to interested parties for comments and recommendations by mid-August.

The APTC provided its comments. The APTC agreed that the time was appropriate to renew the Motor Vehicle Transport Act to focus on motor carrier safety fitness. Inter-provincial and international consistency of safety regulations and enforcement are an important consideration for compliance.

It has not been demonstrated that there is any need for the federal government to regulate bill of lading requirements. The APTC is strongly opposed to any changes to current bill of lading regulations until such time as there is a demonstrated need. Shippers must be included in the discussions from the beginning and fundamental issues must be resolved.

The APTC went on to say that shippers must be included in discussions and consultations concerning carriers' safety fitness ratings. Motor carrier safety fitness ratings and shippers' responsibility should not be treated in isolation. Shippers must have easy access to useful motor carrier safety rating information.

PEI Disinfection Fees

Effective with September 15, 1997, the PEI Department of Agriculture and Forestry began collecting a \$10.00 Disinfection Fee, plus GST (\$10.70), on all commercial trucks transporting bulk or bagged potatoes off Prince Edward Island.

In an effort to control Bacterial Ring Rot, all commercial vehicles are currently required under the Plant Health Act to be disinfected before entering a farm or premises of a packing company to load potatoes for export. This service had previously been offered free of charge.

The imposition of these non-transportation related fees on the trucking industry was objected by the Atlantic Provinces Trucking Association.

US Drug Testing

As of July 1, 1997, Canadian carriers with fewer than 50 drivers and operating in the United States are subject to the American drug and alcohol testing rules. Carriers with 50 or more drivers have been subject to the regulation since July of 1996.

Under the regulations, a motor carrier is responsible to ensure that any of its drivers operating in the US meet the requirements of the regulations. An owner-operator operating under a lease agreement to a motor carrier may seek an arrangement with the carrier to participate in its driver testing program. Independent owner-operators are considered motor carriers under the regulations and must assume the corresponding responsibilities. Non-compliance will result in fines ranging from \$500 to \$10,000 per violation.

US Customs Service Notice

A notice of proposed changes to the US Customs Regulations was posted in the Federal Register (November 17, 1997, Vol. 62, No. 221, p. 61251). The proposal would grant local port directors express authority to require certain types of vehicles, or vehicles carrying certain types of merchandise, to enter the US only at designated locations within the jurisdiction of the port director. The

APTC and a number of other regional and national trade organizations objected to this proposal which was ultimately withdrawn.

US Illegal Immigration Act

A system meant to track down illegal immigrants in the United States runs in the face of free and easy access that has been enjoyed at the Canada-US border.

Section 110 of the US Illegal Immigration Act of 1996 requires a record of entry and exit of all "aliens" entering and departing the United States and the US Attorney General has been told to develop an automated entry and exit control system that would record the departure of visitors and match that with records of their arrival. The Act requires the system to be developed by September, 1998.

With the movements of trucks across the Canada-US border estimated as high as 10 million, such a system could cripple the industry with traffic congestion and hassles and increase transportation cost for regional exporters/importers.

The Canadian Embassy became active in its position against Section 110. In response to this opposition, Congressman John LaFalce introduced Bill HR 2481 and Senator Bryan Dorgan introduced Bill S.1212. These Bills are identical and would exempt Canadian citizens from Section 110 which was not intended to apply to Canadian citizens when it was enacted.

Regional support was sought in this action against Section 110. Regional companies were encouraged to contact their US suppliers and customers and ask them to contact their Members of Congress to demonstrate their support. In addition several fact finding sessions were held in the US to discuss the issue.

The APTC, the Atlantic Provinces Trucking Association, several trade Associations, and the Eastern Border Transportation Coalition, whose members include the Departments of Transportation in New Brunswick and Newfoundland and Labrador, expressed opposition to this US piece of legislation.

At year end, the legislation was awaiting US Senate approval. However, there were indications that implementation of the regulation may be delayed.

Services

During 1997, the employee-owned trucking company, Interlink Freight Systems Inc. went into receivership. Over 2,000 people were out of work across Canada, including an estimated 242 in Atlantic Canada.

The Brookville Group of Companies, one of the largest trucking companies in Atlantic Canada, was sold to Contrans Corp. of Woodstock, ON, a holding company that owns the trucking firm of Laidlaw Carriers. The Saint John company had sought court protection to enable it to finalize the deal without interference by its creditors. Brookville employed 380 people and had a fleet of 1763, comprising of 650 tractors and 1108 trailers, at the time of the sale. The company continued operation under the Brookville name.

Thompson's Transfer Co. Ltd. of Middleton, NS, was sold to Cabano Kingsway Inc. of Montreal. Thompson's continued to operate the six Nova Scotia terminals. In New Brunswick, it operated from existing facilities in Moncton and Saint John.

Infrastructure

New Brunswick's Fredericton-Moncton Highway

On April 4, 1997, the provincial government announced that it had issued a request for proposals (RFP) to three prospective proponents in the selection of a private-sector partner for the new four-lane, controlled-access, Fredericton-Moncton Highway. Responses were requested by June 23, 1997.

Highlights of the RFP included that the successful private-sector partner would be responsible for the design and construction of the new highway as well as the financing, operation, management, maintenance and rehabilitation during the initial 30-year operating period. The request specified that the Fredericton-Moncton Highway project must be completed by November 30, 2001.

The highway project extends 195 km from Longs Creek (west of Fredericton) to Magnetic Hill in Moncton. The current distance between Longs Creek and Moncton will be reduced by approximately 29 km when the highway is completed. The initial maximum toll for a car traveling the full distance of the new four-lane highway will be seven dollars, while, the maximum initial toll rate for cars has been set at six dollars from Fredericton to Moncton. This is based on a maximum initial toll of 3.5¢ per kilometre traveled. A frequent user discount of

10% will reduce the cost to under \$6 when \$25 worth of tokens or vouchers are purchased.

The maximum initial one-way toll rate for trucks using the new highway is based on 2.33¢ per kilometre, per axle to a maximum of six axles. For example, a three-axle truck will pay \$13.50 and a five-axle truck would pay \$22 for the full distance from Longs Creek to Moncton. Trucks with six axles or more will pay the six-axle rate of \$27.

On November 26, 1997, Transportation Minister Sheldon Lee announced in the New Brunswick Legislature that the "preferred" private sector partner had been selected and negotiations would commence toward a final contract. The preferred partner is Maritime Road Development Corp., a Canadian-European consortium which includes Miller Paving Ltd. of Ontario, Dragados FCC Internacional de Construcción, SA of Spain and GTMI (Canada) Inc. of Quebec. Several New Brunswick engineering and construction firms will also participate in the project.

Trans Labrador Highway

Following the successful completion of negotiations between the province and Ottawa on the transfer of responsibility for the Labrador coastal marine services, on April 3, 1997, the construction of the Trans Labrador Highway was announced. Construction commenced in 1997.

The province will spend \$190 million on the first two phases, to be completed over the next six years. Phase 1 will see the completion of the road from Happy Valley-Goose Bay to Labrador West, and will include environmental assessment, planning and engineering for Phase 2. This work began immediately.

Phase 2 will include the construction of the link from Cartwright to Red Bay at a cost of \$130 million. Construction will begin as soon as the design work and environmental process are completed, as early as 1998. Environmental assessment, planning and engineering for the final phase will begin during this period.

Labrador Transportation Initiative Fund

On November 27, 1997, the Honourable Ernest McLean, Minister Responsible for Labrador, announced his government's plan to set-up a dedicated fund for the construction of the Trans Labrador Highway and maintenance of ferry services in Labrador, to be known as the Labrador Transportation Initiative Fund.

The plan calls for early tenders for new projects funded under the Labrador Transportation Initiative Fund for the 1998/1999 construction season in the amount of \$28 million. Together with a carry-over of \$8 million on projects tendered previously, the total expenditure on the Trans Labrador Highway for 1998 will be \$36 million.

The project includes the continuation of upgrading on the road between Happy Valley-Goose Bay and Labrador West, and the beginning of construction of a coastal highway between Red Bay and Cartwright. The start of construction on the coastal highway is subject to the necessary environmental approvals being in place by the start of next years construction season. Tenders for this particular project will not be called until the approvals are in place.

Confederation Bridge

The historic "Confederation Bridge" linking Prince Edward Island to the mainland opened on May 31, 1997. The bridge brings a new age of transportation to Atlantic Canada.

The APTC has long been an advocate of the construction of the bridge to PEI. Despite some delays experienced during the winter months due to high winds, the time saving and equipment utilization benefits have been a great improvement over the ferry system.

Strait Crossing Inc. and the Atlantic Provinces Trucking Association have actively been working towards a solution to delay problems caused by high winds without jeopardizing safety.

Cobequid Pass

The new Cobequid Pass Highway 104 between Thompson Station and Masstown, NS, was opened for traffic on November 15, 1997.

The Nova Scotia government and private partners offered a free travel period as an introduction to the new road until December 1 when tolls were imposed.

Frequent user discounts are available with the E-Pass electronic toll system. Electronic equipment at the toll plaza scans the transponder and automatically deducts the toll from a personal prepaid E-Pass account.

NB Highways

The Province of New Brunswick opened a number of new sections of four-lane, divided highway in the fall of 1997, including:

- 14.5 km on Route 1 between Hampton and Norton;
- 18 km between Sussex and Five Points on Route 2;
- 21 km between River Glade and Magnetic Hill on Route 2; and,
- 8 km from Scoudouc Road to Memramcook East on Route 2.

The New Brunswick Government announced that the existing Canada/New Brunswick Highway Agreement would be extended. The three-year extension will begin in April of 1998 and totals \$300 million, on a fifty-fifty cost-shared basis with the federal government. The primary focus of the agreement will be to upgrade the Trans Canada Highway between Longs Creek and Edmundston.

Marine

The marine sector continued to experience significant changes during 1997.

As part of the National Marine Policy, announced in December, 1995, Regional/Local ports are to be transferred to other interests over a six-year period. During 1997, several Atlantic Canadian ports were transferred, including:

Table 1

<u>Harbours/Ports Facility</u>	<u>Date Transferred</u>	<u>New Owners</u>
Dayspring, NS	February 13, 1997	Snyders Shipyard Limited
North Head (Grand Manan Island), NB	March 24, 1997	Province of New Brunswick
Wallace Cove, NB	March 24, 1997	Province of New Brunswick
Springdale, NF	March 25, 1997	George Yates
Fogo, NF	March 25, 1997	Rex Payne
English Harbour West, NF	March 27, 1997	J. Petite & Sons
Little Bay East, NF	March 27, 1997	Eric Baker & L. M. Osborne

To ease the transition to divestiture, a six-year \$125-million Port Divestiture Fund was created, from which the following was allocated during 1997:

- Transport Canada announced federal funding of up to \$300,000 to permit the Strait of Canso Superport Corporation to carry out the due diligence process, which must be undertaken prior to the transfer of the port facilities at Port Hawkesbury and Mulgrave, NS.
- Federal funding of up to \$150,000 was allocated to permit the Bayside Port Steering Committee Inc. to carry out the due diligence process, which must be undertaken prior to the transfer of the port facility at Bayside, NB.

On February 27, 1997, the Newfoundland and federal governments announced funding to upgrade the port infrastructure at Turf Point in Bay St. George. Western Logging Limited will receive \$2,081,250 under the Canada-Newfoundland Offshore Development Fund Agreement to complete the necessary improvements to the facility. The approved funding will allow for modernization of the loading and docking terminal at Turf Point to maximize the long-term potential of the facility.

North Atlantic Marine Terminals Ltd. assumed management responsibilities for the Sheet Harbour port and business park on July 1, 1997. The new management will lease the property from the Province of Nova Scotia for \$100,000 annually for five years, with an option to renew. North Atlantic Marine Terminals Ltd. expects to handle breakbulk shipments, such as forest and mineral products, and supplies for the offshore at the port. The company also intends to spend \$500,000 in capital improvements to the port, including building, construction and equipment purchases for the efficient and safe handling of cargo.

A study commissioned by the Atlantic Canada Opportunities Agency into Prince Edward Island ports located at Georgetown, Souris, Summerside and Charlottetown was released in February 1997. The study provided in-depth details on operations, costs, revenues, and future possibilities for the four ports. In addition, elements such as current conditions of the port facilities, the level of commercial activity and the economic impact on the local economies served by these ports was examined. While the report did not recommend that any specific port be maintained it did suggest a two port scenario and identified the ports of Charlottetown and Georgetown as the least cost option.

On December 18, 1997, federal funding of \$5.6 million was announced for operational and wharf improvement projects at the ports of Charlottetown and Summerside. A local group will also be established to examine the practicalities

of Prince Edward Island's four ports (Charlottetown, Georgetown, Souris and Summerside) applying for Canada Port Authority (CPA) status. The federally funded local group, made up of local business and user interests, will have two years of study and planning to ensure the PEI ports can either apply for CPA status or move towards some other form of local control.

A committee of major stakeholders of the Port of Halifax was established to look into issues affecting the port and its development. Organizations were named to the committee because of their major investments in the port. Representation includes CN Rail, the Halterm and Ceres container terminals, port labor and the Halifax Port Corporation.

On June 23, the Board of Directors of the Halifax Port Corporation (HPC) approved a \$5.2 million project to redevelop Pier 9A at Richmond Terminals. The project, part of the HPC's \$46.3 million capital investment plan, will include the restoration of Pier 9A and installation of rail tracks on the terminal. Work began immediately with completion scheduled for the spring of 1998. The facility will be used for breakbulk cargo handling operations under a long term operating agreement with the private sector.

In late May, the Port of Halifax's breakbulk cargo handling capabilities was boosted with the official opening of its new forest products shed. This new 65,000 square foot shed is suited to the standards of the forest products industry. It is the highlight of the Pier A redevelopment project marking the completion of Phase I of the Halifax Port Corporation's redevelopment of the Pier A facility.

The National Shipping Company of Saudi Arabia (NSCSA) began a 12-day frequency at the Port of Halifax on May 29. The announcement coincided with the opening of the port's new forest products shed facility. NSCSA has been a customer at the port since 1983. NSCSA is the largest shipping line serving the Middle East and the new 12-day service will enable them to offer 14-day transit to Jeddah. Other ports of call are Damietta, Yanbu, Dubai, Kuwait, Damman, Bombay and Khorfakkan. NSCSA handles container, ro/ro, heavy-lift and breakbulk cargoes, specializing in forest products.

The German container line, Rostock-Atlantik Line (RAL) began calling Halifax in early December, offering full 20', 40' dry and refrigerated container services. RAL provides export container service from Halifax to Dublin, Ireland; Greenock, Scotland; Helsingborg, Sweden; Copenhagen, Denmark and Rostock, Germany. The line will also offer direct import service to Halifax from: Philadelphia, Pennsylvania; Richmond, Virginia; Greenock, Scotland; Dublin, Ireland; Immingham, England; Aarhus, Denmark; Helsingborg, Sweden; Rostock, Germany and Copenhagen, Denmark.

September 20, 1997, marked the arrival of the CMA-CGM AMMEX service. CMA-CGM Canada began an every 10-11 days service from Halifax to the Mediterranean with connecting relay services Worldwide including: Australia, Black Sea, Indian Sub-Continent, the Baltic Region, Africa, Indian Ocean, Far East and South Pacific.

On December 1, 1997, the formation of a major new alliance "Grand Alliance" in the main East/West trade lanes — North America/Asia and Europe/Asia — was announced. The alliance will include P&O Nedlloyd, NYK Line, OOCL, Hapag Lloyd and Malaysia International Shipping Corporation. The new alliance will provide seven services between Asia and North America with specific port rotations yet to be announced.

Singapore-based Neptune Orient Line, on the other hand, a regular caller at the Port of Halifax announced the acquisition of American President Line of Oakland. NOL which is a regular caller at the Port of Halifax as part of the previous "Grand Alliance" with three other shipping lines, NYK Line, Hapag-Lloyd and P&O Nedlloyd. The Alliance offers two services, PAX (Pacific Atlantic Express) and AEX (Asia East Coast Express) which will be changed as indicated in the previous paragraph. Neptune Orient has announced that it will leave the Grand Alliance and form a new group with Mitsui OSK Line and Hyundai Merchant Marine of South Korea. Once the merger is complete, American President will become a member of the new group. No announcement has been made as to what effect the new merger will have on service through the Port of Halifax.

In excess of \$4.6 million was spent during 1997 on capital and maintenance around the Port of Saint John. This included channel and berth dredging, paving, and upgrading of various facilities.

Bulk facilities at the Port of Saint John's Long Wharf will be expanded to handle feed grains allowing New Brunswick farmers access to cheaper grain and fertilizers and improving facilities to import other bulk goods. The federal government announced \$400,000 in federal Canadian Adaptation and Rural Development (CARD) funding to assist with the agricultural component of the construction and the provincial government will contribute \$600,000 for construction of the facility that will handle fertilizer and other miscellaneous cargo in addition to grain. Empire Stevedoring Co. Ltd., the parent company of Furncan Marine Ltd., was awarded the contract to operate the new terminal and will oversee construction of the terminal. At year end, this project had not come to fruition and new proposals will be sought in 1998.

During 1997, two new shipping services were announced for the Port of Saint John. Gearbulk began a regular service to South America and Wilhelmsen Lines began a new Far East service.

On October 8, 1997, the federal government reintroduced amendments to the Canada Shipping Act in the Senate. The amendments, which were first introduced in September, 1996, did not complete the parliamentary process prior to the dissolution of Parliament in April 1997. The Act subsequently received royal assent on December 16, 1997. Highlights of the amendments include:

Part IX - Limitation of Liability for Maritime Claims

- Substantial increase of shipowners' limits of liability.
- Procedure for "rapid" amendment of limits to provide for adjustment over time to reflect the rate of inflation.
- Special provisions for liability limits for small ships (less than 300 tonnes).
- Special provisions for the liability of shipowners to their passengers.
- Extended application to all ships at sea and inland, not only seagoing vessels.
- Increased limits of liability for owners of docks, canals and ports.

Part XVI - Oil Pollution Liability and Compensation

- Compensation will now be available for oil pollution damage caused by empty tankers immediately after a voyage with a cargo of persistent oil.
- Costs that are incurred for preventive measures taken in anticipation of a spill from a tanker will now be recoverable.
- Where oil pollution damage from a ship results in impairment of the environment, the shipowners will be liable for the costs of reasonable measures of re-instatement.
- The geographic scope of application has been extended to the exclusive economic zone (EEZ).

In London, England, on September 9, 1997, Transport Minister David Collenette signed the Protocol to amend the 1976 Convention on Limitation of Liability for Maritime Claims, adopted in May, 1996, under the auspices of the

International Maritime Organization. The current Canada Shipping Act provisions that deal with limitation of liability for maritime claims are based on the 1957 International Convention Relating to the Limitation of Liability of Owners of Sea-Going Vessels. Most maritime nations consider the limits of liability set out in the 1957 convention to be inadequate, principally because inflation has eroded their value. A 1976 convention has replaced the 1957 convention as the global standard for limitation of liability for maritime claims. Under its 1996 protocol, the maximum compensation available to claimants for maritime claims in general will increase considerably. The limits of liability are calculated on the basis of tonnage, enabling shipowners to assess their potential liability. In Canada, this regime will apply to all ships, seagoing or not, to all shipowners, charterers, managers and operators, and any person having an interest in or possession of a ship. The global limitation regime applies to all maritime claims except those involving oil pollution damage, which are covered by the 1969 Civil Liability Convention and the 1971 Fund Convention.

Traffic handled at Ports Canada ports in Atlantic Canada during 1997 is summarized in *Table 2*. The Port of Saint John maintained its overall tonnage level, with a significant increase of 18.65% in containerized cargo. The Port of Halifax reported continued growth in 1997, with overall tonnage increased by 9.15%. Continued growth was also seen in containerized cargo which saw an 19.88% increase. St. John's recorded an overall increase of 14.54%, with a major increase of 63.15% in general cargo (excluding bulk). Traffic handled at the Port of Belledune increased significantly in 1997 with a 50.26% increase in overall cargo.

The Strait of Canso, bolstered by the strong performance of Statia Canada, posted a record year in 1997 with 21,906,028 metric tonnes of cargo through the port, making it the largest port in Atlantic Canada in terms of traffic volume. The petroleum storage/transshipment facility Statia Terminal at Point Tupper, had over 19 million tonnes of product move through its facilities during the year. The remainder of the tonnage through the port, which comprises of facilities at Point Tupper, Port Hawkesbury and Mulgrave, included aggregate, coal, gypsum, wood pulp, chemicals and other general cargo. The port included 1,146 vessel calls in 1997, an increase from 934 in 1996.

Table 2

**WATER CARGO TONNAGE LOADED
OR UNLOADED AT PORTS CANADA PORTS
(In Metric Tonnes)**

<u>Calendar Year</u>	<u>Saint John</u>	<u>Halifax</u>	<u>St. John's</u>	<u>Belledune</u>	<u>Total</u>
<u>ALL CARGO</u>					
1997	21,039,426	14,118,779	953,502	2,091,131	38,202,838
1996	21,022,582	12,935,122	832,455	1,391,648	36,181,807
Variance	16,844	1,183,657	121,047	699,483	2,021,031
% Change	0.0%	9.15%	14.54%	50.26%	5.59%
<u>GENERAL OTHER CARGO*</u>					
1997	987,535	428,188	170,840	—	1,586,563
1996	1,132,476	418,771	104,716	—	1,655,963
Variance	(144,941)	9,417	66,124	—	(69,400)
% Change	-12.80%	2.25%	63.15%	—	-4.19%
<u>CONTAINER CARGO</u>					
1997	277,923	3,810,391	355,597	—	4,443,911
1996	234,229	3,178,392	342,278	—	3,754,899
Variance	43,694	631,999	13,319	—	689,012
% Change	18.65%	19.88%	3.89%	—	18.35%

* Excludes bulk cargo

Source: Canada Ports Corporation

Ferries

1997 Statistics for the major ferry operations in Atlantic Canada are provided in Table 3. The table also compares the 1997 statistics to the previous year. Bay Ferries, the new operator for the Yarmouth-Bar Harbour and the Saint John-Digby services has made a decision, as a matter of company policy, not to publish traffic statistics between their operating points. These services are therefore not included in the Table. The major decrease experienced at Marine Atlantic's Cape Tormentine-Borden service is reflective of the opening of the Confederation Bridge in mid-1997.

Table 3

ATLANTIC CANADA FERRY OPERATING STATISTICS

<u>SERVICE</u>	<u>YEAR</u>	<u>TRIPS</u>	<u>PASSENGERS</u>		<u>AUTOMOBILES & PICK-UP TRUCKS</u>		<u>TRUCKS & TRACTOR TRAILERS</u>	
<u>MARINE ATLANTIC SERVICES</u>								
Cape Tormentine - Borden*	1997	5,309	561,834	-72.7%	200,780	-72.0%	81,991	-59.2%
	1996	15,230	2,055,040		715,858		200,831	
North Sydney - Port aux Basques	1997	1,608	369,497	3.0%	103,591	1.5%	67,449	1.5%
	1996	1,554	358,751		102,068		66,438	
North Sydney - Argentia ⁽¹⁾	1997	70	43,315	13.5%	12,153	11.4%	255	-7.6%
	1996	70	38,158		10,912		276	
<u>PRINCE OF FUNDY CRUISES LIMITED</u>								
Yarmouth - Portland ⁽²⁾	1997	322	159,546	9.3%	29,824	17.2%	274	-45.8%
	1996	322	145,956		25,453		506	
<u>NORTHERN CRUISER LIMITED</u>								
St. Barbe - Blanc Sablon ⁽³⁾	1997	873	34,902	-12.5%	11,594	-14.5%	1,509	-19.1%
	1996	892	39,878		13,567		1,865	
(1)	1997 operated June 20 to September 12 1996 operated June 21 to September 13				(3)	1997 operated May 1 to January 3, 1998 1996 operated May 1 to January 3, 1997		
(2)	1997 operated May 1 to October 26 1995 operated May 2 to October 27				* Service terminated May 31, 1997.			
Source: Marine Atlantic Inc. Prince of Fundy Cruises Limited Transport Canada								

On April 3, 1997, the federal and provincial governments announced an agreement that handed responsibility for marine services in Labrador to the province. Under the agreement, the provincial government assumed control of the marine coastal service to Labrador, effective April 1, 1997. There were no changes to the services during 1997. The government advised that they would be consulting with the stakeholders before any changes would be made. In exchange for assuming responsibility for marine services, the province received a \$340 million cash settlement, and two ships valued at \$25 million. A portion of those funds were used to start construction on the Trans Labrador Highway (see highway section).

In late April, 1997, Transport Minister Anderson announced that Marine Atlantic had agreed to sell the lands and assets of Newfoundland Dockyard Corp.

to St. John's Dockyard Ltd., a company owned jointly by the Burry Group of Clarenville and the Penny Group of St. John's, Nfld. The agreement enabled the company to immediately set up a new operation and bid on routine dockyard, maintenance and ship repair work.

On May 27, 1997, the Government of Canada announced that an agreement had been reached on the purchase of the *MV Isle of Inishturk*, formerly known as the *Isle of Inishmore*. The *Isle of Inishturk* will replace the *MV Lucy Maud Montgomery*, which serves the Magdalen Islands between Souris, PEI, and Cap-aux-Meules, PQ. Funding of \$12.95 million for this purchase was provided for in the federal budget and was, therefore, built into the existing fiscal framework. The total cost of this project, including the vessel, wharves and dredging, is expected to remain within the \$30-million envelope.

Pilotage

In late April, 1997, then Transport Minister David Anderson announced the appointment of Captain Robert C. Milne of Halifax as investigator into the proposed establishment of a compulsory pilotage area for the navigational channel on both sides of the Confederation Bridge. Compulsory pilotage had been recommended by the board of the Atlantic Pilotage Authority (APA) following a study of the navigational conditions near the Confederation Bridge.

By establishing a compulsory pilotage area for the Confederation Bridge, any foreign ship passing under the bridge, as well as, any Canadian ship of more than 1,500 gross registered tons would have to be under the conduct of a qualified marine pilot licensed by the APA or a pilotage certificate-holder likewise certified by the authority. Fishing vessels are exempt from compulsory pilotage.

The independent investigator's report was submitted to the Minister on June 16, 1997. Among a number of recommendations put forward in the report were that ships passing under the Confederation Bridge be guided by pilots and that the APA be directed to grant, where possible, exemptions for suitably qualified Canadian Masters and ships.

On August 8, 1997, Transport Minister David Collenette, by order, approved the proposed amendment to the APA regulations that made the navigational channel on both sides of the Confederation Bridge a compulsory pilotage area.

The APA has been asked to review the certification requirements for frequent users of the Northumberland Strait and report to the Minister of

Transport by the end of the year. The Minister has also requested that the APA review this amendment in three years, in consultation with affected stakeholders.

Effective with October 1, 1997, the APA regulations were amended to establish the Confederation Bridge Compulsory Area of Prince Edward Island to include the following charges:

- \$450 - for an assignment at the Confederation Bridge where a pilot boat is not used; and,
- \$960 - for an assignment at the Confederation Bridge where a pilot boat is used.

On October 18, 1997, the APA filed a notice in *Part I* of the *Canada Gazette* of a proposed tariff increase to become effective January 1, 1998. The proposed amendments for compulsory pilotage areas constituted increases for some ports, while other ports would see reductions in rates and some ports would maintain their current level of pilotage charges. The non-compulsory areas would be subject to tariff increases averaging 2.5%. Increases for a number of miscellaneous charges were also proposed.

Notices of objection to the proposed increase were filed by Point Tupper Marine Services Limited and the Shipping Federation of Canada. When an objection is filed, the Canadian Transportation Agency (CTA) is required under the Pilotage Act to conduct an investigation. This process was underway at year end, delaying the effective date of the proposed increase until the CTA makes a decision.

The APA also filed notice in *Part I* of the *Canada Gazette* on November 15, 1997, of its intention to remove the Port of Clarenville, Nfld., from its list of compulsory pilotage areas and place it on the non-compulsory area. As no objections to this amendment had been received within the required 30-day period, the necessary amendments were prepared for publication and the change became effective February 12, 1998.

MARINE SERVICES FEE

The Marine Services Fee issue continued to be a hot topic in 1997. In March of 1997, Fisheries and Oceans Minister Fred Mifflin announced changes to the Canadian Coast Guard (CCG) approach to marine services fees for the service it provides to the commercial shipping industry. The Minister advised that:

1. Coast Guard would be moving away from fixed revenue targets towards a system where the fees that are charged reflect the direct cost of providing the service to the user.
2. Coast Guard would explore with industry the creation of an arms-length review mechanism for marine fee structures and annual fee levels.
3. Coast Guard would work in partnership with industry to establish principles to guide regional fee structures and levels of service based on services provided, explore alternative service delivery opportunities and improve their consultation mechanisms.

The Minister also indicated that the transition measures outlined above would be completed during 1997-98, with a view to having a comprehensive fee system in place for 1998-99, based on percentage of costs.

As an interim measure, and among a number of changes, was a zonal approach for the Maritime Region relating to the navigational aids fee structure to be in place on or before July 1, 1997. In addition, the ice-breaking fee would only be implemented for the 1998-99 ice-breaking season.

Coast Guard Commissioner, David B. Watters subsequently provided details of proposed navigational services fee structures for 1997-98 with a target implementation date for the revised fees of July 1, 1997. The proposal was distributed to interest groups and a consultation meeting was held in Moncton on May 8, 1997, to discuss this latest proposal.

APTC representatives attended this meeting and reported general support for the latest proposal with a few modifications as suggested by the Maritime Seacoast Advisory Board. Attendees at the meeting urged that the process continue with the objective of further modifications to achieve a rate structure more closely related to the true costs of providing the service. A suggestion for an independent review process was rejected by those present.

Details of the 1997-98 Navigational Aids Marine Services Fee which took effect on July 1, 1997, were subsequently released. The fees applicable for the Maritimes and Newfoundland were:

Foreign Flag - Cargo Vessels

"Rate per tonne of cargo loaded and unloaded up to 50,000 tonnes" for the following:

Maritime Zones:

- ◇ Bay of Fundy - \$.075
- ◇ East Coast NS - \$.095
- ◇ Bay of Chaleur - \$.085
- ◇ PEI/Northumberland - \$.176
- ◇ Miramichi - \$.176

Newfoundland:

- ◇ \$.145

Note:

- ◇ Minimum fee of \$25 per visit
- ◇ Fees for gypsum and aggregates are subject to the following ceilings:
 - Gypsum - \$.15 per tonne
 - Aggregates - \$.05 per tonne

Foreign Flag - Cruise

- ◇ \$300 per Canadian port call for vessel of 150 gross tonnage or less;
 - \$500 for vessel greater than 150 gross tonnage and less than or equal to 22,500 gross tonnage;
 - \$1,500 for a vessel greater than 22,500 gross tonnage

Note:

- ◇ These fees are subject to a maximum of 3 port calls per 30 day period.

Foreign Flag - Coasting Trade

- ◇ \$.42 per gross tonnage of the vessel for each month during which the permit is in effect with a minimum of \$25 per month

Foreign Flag - Other

- ◇ \$.42 per gross tonnage of the vessel per month with a minimum of \$25

Canadian Flag

- ◇ Bulklers, self-unloaders and containers - \$.0076 per 100 tonne kilometre, or part thereof, with the following ceilings:
 - Gypsum - \$.15 per tonne
 - Aggregates - \$.05 per tonne; other - \$.16 per tonne
- ◇ Ferries:
 - Operating in the Maritimes - \$1.80 per gross tonnage per quarter

- Operating in Newfoundland - \$1.12 per gross tonnage per quarter
- Operating between Maritimes and Newfoundland - \$1.46 per gross tonnage per quarter
- Other - \$1.25 per gross tonnage per quarter

◇ Minimum Charge - \$25

After the release of the fee structures, the Maritime Seacoast Advisory Board, along with various parties in Nova Scotia, continued to lobby for a lower fee structure for Navigational Aids.

On September 18, 1997, the Great Lakes - St. Lawrence Maritime and Industrial Coalition, a group of Central Canada shippers and port users, filed a document with the Honourable David Anderson, Minister of Fisheries and Oceans, entitled *Charting a Common Course to Common Sense - A Global Vision of Coast Guard Services*. The document essentially recommended that Coast Guard reverse its present regional approach to cost recovery and apply the Marine Services Fee on a national basis. The paper also proposed that ice-breaking be paid on a national basis and that the dredging of the St. Lawrence be mainly paid by the government on the basis that it is for environmental purposes. The Maritime Seacoast Advisory Board worked extremely hard over the past year to develop, in conjunction with the Coast Guard, a user pay approach for the Atlantic Region. The St. Lawrence Coalition approach went against these basic principles.

This document faced strong opposition from both the East and West Coast and as a result the Maritime shipping community launched a letter writing campaign to the federal Minister expressing their concerns with the possible change in the method of charging the Marine Services Fee.

Following a series of intense negotiations across the Country, the main stakeholders in Canada's maritime and industrial community reached a national consensus on Coast Guard cost reduction and recovery. On November 27, 1997, the National Marine and Industrial Coalition which include: the Western Marine Community, the Great Lakes - St. Lawrence Maritime and Industrial Coalition, the Maritime Seacoast Advisory Board and the Newfoundland Marine Advisory Board wrote to David Watters, Commission of Coast Guard, advising that the Coalition had reached a national agreement on the overall principles and recommendations that must guide and direct CCG cost reduction and recovery. Highlights of the agreement included:

- A regional approach linked to an agreed definition of direct costs, with no cross-subsidization among regions.

- The definition of regions remains unchanged for Navais. For ice-breaking, at least two regions would be recognized, West and East. For Eastern Canada, the industry and CCG shall work together to develop a definition of region(s) as well as a fee allocation method acceptable to all.
- A region should have to pay only for the services it receives. The principle of regional fee setting is recognized.
- The percentage of regional direct cost method should be applied once the agreement expires. Direct costs shall exclude common costs, which remain the federal government's responsibility. Direct costs shall also exclude previous capital expenditures and any residual expenditures in CCG calculations. In the interim, regions will continue to work with CCG to establish a firm basis for direct costs.
- No ice-breaking fee shall be charged during the life of the agreement. The Western region will not be subject to icebreaking fees.
- On the basis of the current regional fee schedules, the commercial sector will contribute \$26.7 million per year for Navais over the life of the agreement.
- Western and Eastern Canada will each assume half of a disputed amount of \$1.5 million. \$750,000 is deducted from the West, \$558,000 is added to Laurentian/Centre, \$75,000 is added to the Maritimes and \$117,000 is added to Newfoundland.
- The duration of the agreement is three years, from April 1, 1998, to March 31, 2001.

At the end of 1997, the Minister had not released any decision or comments regarding these developments.

CANADA MARINE ACT

On October 2, 1997, Transport Minister David Collenette introduced Bill C-9, the Canada Marine Act, in the House of Commons. The legislation contained the same provisions as the earlier Bill C-44, which did not complete the parliamentary process prior to the dissolution of Parliament in April for the federal election. The new act will:

- create a National Ports System made up of independently managed Canada Port Authorities (CPAs);
- streamline the regulatory regime for the new CPAs and other ports currently administered by Transport Canada;
- dissolve Canada Ports Corporation;
- repeal the Public Harbours and Ports Facilities Act;
- allow the Minister to commercialize the operations of the Great Lakes-St. Lawrence Seaway system; and,
- overhaul the marine pilotage system.

Bill C-9 was amended by the Standing Committee on Transport and reported to the House on November 20, 1997. The Bill was subsequently passed by the House on December 4, 1997. The bill is currently before the Senate awaiting Royal Assent.

The coming into force of this Act will be the later of January 1, 1999, and 150 days after the day on which it receives Royal Assent from the Senate unless, before that day, the Governor-in-Council, by order, declares the Act or any provision of the Act to come into force on a day or days fixed by the order.

PIPELINE

The Sable Offshore Energy Project (SOEP) involves the development of six natural gas fields near Sable Island, containing an estimated 85 billion cubic metres (3 TCF) of recoverable natural gas reserves. Production is scheduled to begin in 1999 and extend over the 25-year life of the Project. The gas will be transported to a processing plant near Country Harbour, NS, via a subsea pipeline.

The Proponents of the Project, Mobil Oil Canada Properties (lead operator), Shell Canada Limited (joint operator), Imperial Oil Resources Limited and Nova Scotia Resources Limited, submitted a Development Plan and a Canada-Nova Scotia Benefits Plan to the Board on June 14, 1996. The Board appointed a Commissioner to carry out a public review of these plans and of the environmental and socio-economic implications of the Project. The

Commissioner conducted his review as part of the Sable Gas Projects Joint Public Review Panel.

The Commissioner and the Panel released their reports on October 27, 1997. The Panel concluded that SOEP was not likely to cause significant adverse environmental effects, provided that appropriate mitigation is applied and the Panel's recommendations are followed and implemented. Similarly, the Commissioner found that SOEP could proceed without significant adverse environmental, social or economic effects if the recommendations put forward in the Joint Public Review Panel Report and the Commissioner's Report are addressed. He also concluded that the Project will have a positive effect on the business and labor sectors of the economy. The Board's response to the recommendations of the Panel and the Commissioner which relate to matters under the Board's jurisdiction, is set out in the Decision Reports.

In a Board Decision Report of December 30, 1997, the Canada-Nova Scotia Offshore Petroleum Board approved, with conditions, the SOEP Benefits Plan and Development Plan.

Overall, the Board is satisfied that, subject to the conditions specified in the Development Plan Decision Report, the Project can be undertaken safely while protecting the environment and maximizing resource recovery. The Board also has concluded that the Proponents have adequately addressed the provisions of the Accord Implementation Acts dealing with Canada-Nova Scotia Industrial and Employment Benefits, subject only to the conditions set out in the Canada-Nova Scotia Benefits Plan Decision Report

This was the final approval required for the project to proceed.

MOTOR VEHICLE WEIGHTS AND DIMENSIONS

The APTC continued to participate in the work of the Task Force on Vehicle Weights and Dimensions Policy throughout 1997. This Task Force operates under the auspices of the Council of Deputy Ministers Responsible for Transportation and Highway Safety. It was formed when the work of the Eastern Task Force on Vehicle Weights and Dimensions was brought to the attention of the Council of Deputy Ministers in the fall of 1996.

The objective of the group is to pursue greater uniformity of vehicle weights and dimensions regulations among the ten provincial jurisdictions in Canada. The Task Force held several national and regional meetings throughout the year in various

locations. While the work of the Task Force focused on 23 original elements, its agenda remained open for consideration of additional items.

Seven of these original items were removed from consideration following discussions in April, 1997. Nine of the items were advanced to the Council of Ministers for their consideration as national standards and were endorsed. The remaining seven items remain under action consideration.

The proposals which have been endorsed by the Ministers include:

- minimum wheelbase requirements for semi-trailers, pony-trailers and full-trailers is standardized at 6.25 M;
- maximum hitch offset is standardized at 1.8 M for all configurations;
- the fifth-wheel position on the lead trailer of a B-Train must not be located more than 0.3 M behind the centre of the last axle in the lead semi-trailer;
- weight limit caps on the second trailer of A and C-train, double-trailer combinations are replaced by a requirement that the weight of the tractor drive axles, plus the weight of the lead trailer axles, must be greater than the weights of the second trailer; and,
- the steering axle weight limit for straight trucks be standardized at 7250 kg.

Each jurisdiction undertook to amend its regulations to include these changes. The target date for these changes becoming effective, either by regulation or permit, was July 1, 1998.

The most contentious items involving axle group spreads and weights remain under consideration, as does the matter of spring weight restrictions in the Province of Quebec.

Most jurisdictions impose reductions in axle and gross mass allowed on secondary highways during the spring thaw. However, most major designated highways are maintained at normal weight limits year round, with the removal of tolerance limits during the spring thaw. The Province of Quebec, on the other hand, imposes spring weight restrictions on all highways in the province, including major designated routes. The effect of this policy is a reduction in payload on traffic for other jurisdictions moving into, out of, and through Quebec during the spring thaw.

Shippers and carriers in Atlantic Canada have, for many years, complained that this policy represents a barrier to inter-provincial trade. The Province of Quebec cites

concerns over infrastructure maintenance and the difficulties associated with the enforcement of reductions on only a portion of its highway network as the major reasons for maintaining their policy. While there are economic consequences to shippers and carriers in the Atlantic Provinces, Quebec and Ontario of maintaining the current policy, there are also economic consequences to Quebec of changing its policy to conform with those of its neighbors.

The Province of Quebec has responded to concerns raised by carriers and shippers in recent years and made significant changes in their spring weight policy. These included better definition of zone boundaries to include Route 185 in Zone 1. This had the effect of placing the main corridor route to and from Atlantic Canada in one zone, thus reducing the time period spring weight restrictions were in effect by up to two weeks annually. The pre-publication in a five-year schedule of the dates of the spring weight restrictions enabled shippers and carriers to better plan their shipments to minimize the impact as much as possible.

As a result of the discussions concerning spring weight restrictions at the Task Force meetings, the APTC conducted a survey of Atlantic Provinces manufacturers and producers in an attempt to place some economic measure on the impact of the different policies on shippers in Atlantic Canada. The survey indicated that Atlantic Region shippers annually shipped 10,920 loads during the period of spring weight restrictions in Quebec and experienced an average payload reduction of 4.1 metric tonnes per load. The estimated annual cost of this payload reduction was \$3.1 million for shippers in Atlantic Canada. The report also pointed out the impact was probably far greater on Quebec firms and on eastbound traffic into Atlantic Canada, although insufficient data was available to complete that analysis. The Atlantic Provinces Trucking Association subsequently estimated the impact on the Atlantic Region trucking industry of Quebec's spring weight policy was an additional \$3 million annually.

The Quebec Ministry of Transport, as a consequence of the information presented by the APTC and the APTA, announced that a complete review of their spring weight policy would be undertaken commencing with the 1998 spring thaw. The New Brunswick Department of Transportation will cooperate by providing input on various enforcement and other issues.

The Province of Nova Scotia modified several of its weight and dimension regulations in May of 1997 to bring them more in line with those in neighboring jurisdictions. The changes included:

- standardizing the tandem axle weight to a maximum of 18000 kg regardless of the axle spread;

- the maximum steering axle weight was reduced to 8000 kg;
- the maximum weight for wide-spread trailer tridem axles was reduced to 26000 kg; and,
- the maximum length for double trailer configurations was set at 25 M.

In addition to these changes, Nova Scotia published a list of designated highways on which B-train configurations are permitted to operate.

New Brunswick, following consultations with industry, announced a phased reduction of the special weight tolerance currently permitted for trucks hauling raw forest products. By the spring of the year 2000, trucks hauling raw forest products in New Brunswick will only be permitted a tolerance of 500 kg per axle, the same as all other products. This reduction is intended to bring New Brunswick into conformity with tolerances in other Atlantic Provinces. In order to assist truckers hauling raw forest products adjust to the new limits, a grant program for the purchase on on-board scales was also put in place.

Despite all of this activity, the harmonization of vehicle weights and dimensions in Canada remains illusive. Shippers and carriers are frustrated by the inability of regulatory authorities to achieve harmonization. The issue is one of safety, efficiency and competitiveness. Ten sets of constantly changing, overly complex regulations, enforced differently in each jurisdiction, are impossible to comply with. Carriers do not know what equipment to purchase, shippers do not know how much they can load, and neither party can be expected to know and understand ten sets of complex regulations given the current situation. This lack of harmonization is a barrier to inter-provincial trade and creates unnecessary cost which reduces the competitiveness of Canadian industry and carriers.

NATIONAL HIGHWAY PROGRAM

The APTC has long held the belief that a long-term funding program for construction and maintenance of the National Highway System is of vital importance. A safe and efficient highway system serving the Atlantic Region is crucial to economic activity in this region, although it is clear that many do not understand the linkage between transportation and economic activity. A long-term program providing funding for construction and maintenance of the National Highway System is needed. Canada is the only developed nation which does not have a program in place to fund its national highway network. The "National Highway System" in Canada remains a "system" in name only.

During the past year, in appearances before committees of both the House of Commons and the Senate, and in letters to the Prime Minister and all Atlantic Region MPs and MLAs, the APTC put forward the position that the federal government derives significant revenue from the highway transportation system in the form of taxes and user fees (in excess of \$5 billion annually by the federal government's own admission) of which it returns very little (approximately \$300 million annually). The APTC acknowledges the contributions of the federal government to highway construction in Atlantic Canada in recent years. However, such funding has been provided under individual agreements with the provinces on a project-specific basis. This federal funding has usually been diverted from other transportation programs. Little "new" money has been involved. These factors, combined with the equally significant reductions in transportation spending in recent years have created the necessary fiscal room for the federal government to participate with the provinces in a National Highway Funding Program. The APTC believes that the federal government should contribute substantial annual funding to the program. An amount equivalent to two cents per litre of fuel consumed in Canada is suggested. The federal government's commitment should come from its existing revenue base. No new taxes or user fees need be imposed.

Federal Transport Minister David Collenette, in his November 17, 1997, speech to the Canadian Council for Public-Private Partnerships, said:

... Canadians expect leadership from Ottawa on a range of issues. Transportation is no exception.

In relation to highways, he went on to say:

... the question in my view is not: Should we have a National Highways Program? But: How should we structure it and how much federal money will be available?

The APTC agrees with both of these views and urges the federal government to begin discussions with the provinces on the establishment of a long-term funding program for Canada's highway system. Atlantic Canada is the only region in this country to have tolls placed or scheduled to be placed on portions of the Trans Canada Highway, with no alternative routing available for the trucking industry. This situation could have been avoided had a funding program been in place. As 1997 ended, a National Highway System in Canada remained a dream and the federal government leadership talked about by the Minister had failed to materialize.

There have been a number of changes in the economic regulation of air carriers in recent years. The "Open Skies" agreement between Canada and the United States removed most of the economic controls on carriers of both cargo and passengers. While other regions of Canada have benefited to a significantly greater degree than has Atlantic Canada, the resulting increase in services and competition has been beneficial for both passengers and cargo shippers. The introduction of a new international air policy in 1995 implemented a "use it or lose it" approach to international air services to and from Canada. However, the ability of international air carriers to provide service to Canadian airports remains largely controlled by the federal government through regulation of service frequencies, schedules and capacity. The airline industry has responded by creating global alliances and utilizing code-sharing arrangements to avoid the continued economic regulation.

At the same time as it continues to economically regulate the air carrier industry, the federal government is shifting the responsibility and cost of operating airports to local authorities. Airports contribute significantly to economic activity and tourism in Atlantic Canada. They facilitate economic activity and growth in the service and goods-producing sectors of the economy also. If the federal government expects the local airport authorities to successfully market and operate their facilities, it must give them the proper tools, including greater international air carrier access to their facilities.

The APTC feels that greater international air carrier access can improve air service in smaller markets. Canada's International Air Policy needs revision. At present, foreign air carriers can only obtain access to Canadian airports if: (1) there is support from the community involved; and, (2) no Canadian carrier "expresses an interest" in serving the market. Furthermore, service frequency is limited to twice weekly. Such restrictions are no longer necessary. They limit competition and hamper the ability of local airport operators to attract new air services to their facilities. The APTC believes that the federal government should retain only its responsibilities for transportation safety and security. The marketplace should determine the level of service to be provided in any given community.

The APTC agrees with the "use it or lose it" approach for bilateral international air service agreements with foreign governments. However, those provisions of Canada's International Air Policy which limit capacity and frequency and allow Canadian carriers to block foreign air carrier access to Canadian airports through an "expression of interest" should be eliminated. Revisions to Canada's International Air Policy are urgently required.

In response to a number of comments about the cost of air travel to and from the Atlantic Region, the APTC undertook to examine changes in air fares in recent years. Changes in air fares in Atlantic Canada were compared to those in other regions of the country. A final report was released early in 1998.

The APTC's analysis examined air fares for 235 city-pairs in Canada between 1985 and 1997. The one-way economy and the 14-day advance booking discount fares were used as benchmarks. The analysis also examined trends in air travel and the airline industry.

The study found that the Atlantic Region air passenger market has been relatively flat. By the end of 1996, passenger traffic levels in this region had not returned to the pre-recession peaks established in 1990; whereas, in other regions, particularly Ontario and the West, passenger levels were up considerably. The result is that the Atlantic Region share of the national passenger market has fallen steadily from 8.6% in 1988 to 6.1% at the end of 1996. Three of the top city-pair markets in Canada involved Atlantic Canadian points: Halifax-Toronto; Halifax-Ottawa; and St. John's-Toronto.

In terms of the fare categories that were examined, the following findings were highlighted:

- Over the time period of the study, air fares increased substantially. Increases in the past three years, 1995-1997, ranged between 18% and 53%.
- The average increase for Atlantic Canadian economy class fares was 26.3% over the past three years compared with an average increase of 30.8% in the rest of the country.
- The average increase in the 14-day advance booking discount fare was 29.3% in Atlantic Canada versus 25.8% in other regions.
- While fare levels in Atlantic Canada were compared with fare levels in other regions, no statistically acceptable distance and market size comparisons were found. No conclusions were reached from this part of the analysis.
- A significant increase in the use of discount fares was noted. Approximately 70% of domestic travelers were utilizing some form of discount fare in 1995, up from 54% in 1985.
- A large increase in seat sale activity by Canada's airlines was noted in 1997. Nationally offered seat sales were equally available in Atlantic Canada.

- Last minute weekend discount offerings were also reviewed. Approximately 10% of these offerings involved at least one Atlantic Canadian point, which is consistent with the region's market share. Larger markets tended to attract more of these discount offerings.

An overall examination of the data revealed that the airlines are competitive and do respond to market conditions and competitive factors. Market size is also important.

The report notes that several factors will continue to affect the airline industry in 1998. These include the privatization of airports and the air navigation system, infrastructure development in competing modes, regulatory change, global carrier alliances and taxation changes.

The objective of the study was to compare changes in air fares in Atlantic Canada with those which have occurred in other regions. The results showed that, while substantial air fare increases have occurred, particularly over the previous three years, all regions of the country have experienced similar air fare increases over the time period examined.

NORTH AMERICAN TRADE & TRANSPORTATION CORRIDORS

The large increase in trade between Canada and the United States, resulting from the NAFTA agreement, has created huge increases in the volume of truck and rail traffic in both countries. A large percentage of this traffic is carried over a relatively few specific routes or trade corridors. Congestion and infrastructure deficiencies have resulted. A number of initiatives are underway to resolve these problems, including the application of intelligent transportation system technologies. These technologies are being applied to improve the flow of goods and passengers and reduce delays at border crossing points and along trade corridors.

Significant investment has been made in research and development of intelligent transportation technologies and the implementation of some systems has begun. The use of electronic data interchange and improved communications technologies to improve clearance of vehicles and goods at border crossings and provide shippers the ability to track their goods in transit will be the norm in just a few short years. Highway safety will be improved by the ability to electronically exchange driver and vehicle information among the many highway jurisdictions along the trade corridors.

Due to the relatively small size of the Atlantic Canadian marketplace, implementation of these intelligent transportation systems will require the cooperative efforts of shippers, carriers and government agencies in the region. The application of technologies appropriate to the traffic levels and infrastructure in the Atlantic Region will require significant planning and discussion. As the implementation of these systems takes place in other regions, Atlantic Canadian carriers and shippers will find themselves at a competitive disadvantage until they have access to these technologies.

The APTC views trade corridors and the application of ITS technologies as having significant potential to improve the safety and efficiency of Atlantic Canada's transportation system. An Atlantic Region working group, consisting of public and private sector members is being organized. Contacts and working relationships are being established with groups in the United States and in other provinces. An initial ITS application has been identified and a project outline and development plan are being drafted.

The APTC recognizes the significant challenges involved. However, the opportunities for improved efficiency and safety in our transportation system through the application of ITS technologies to our trade corridors cannot be ignored. In order for Atlantic Canadian industries to remain competitive in North American and global markets, we must have the most efficient transportation system possible.

CANADIAN UNIFORM BILL OF LADING

The Canadian Council of Motor Transport Administrators (CCMTA) Task Force on Bills of Lading/Insurance continued its work on both issues throughout 1997 (see *Annual Transportation Review 1996*, p. 26). Separate surveys on each of the matters were sent to a large group of industry associations across the country.

The APTC, which had earlier opposed the proposals for a draft Canadian uniform bill of lading (CUBOL), responded to the survey with the following comments:

- The current CUBOL process is fundamentally flawed and should be halted. Shippers and carriers were not provided the opportunity to provide input into the discussion of basic issues, such as: is regulation necessary?; and, if regulation is required, what is the proper legislative structure to contain the regulation?

- The elimination of trucking licenses in 1998, as a result of the Agreement on Internal Trade, is not related to bill of lading issues.
- The NAFTA documentation is a more significant issue. Canadian carriers and shippers must be given adequate opportunity for input into the NAFTA document and any discussion on a CUBOL should follow, not precede, the resolution of issues surrounding the NAFTA document.

Similar views were expressed by industry associations across the country. This led to the conclusion of the Task Force in October, 1997, that it is evident there is no consensus among shippers and carriers and the CUBOL project should be halted until major progress is evident in the NAFTA negotiations.

The question of a regulatory requirement for carriers to obtain a minimum level of cargo insurance was also raised. This would prevent carriers from self-insuring for cargo loss or damage and required them to obtain commercial insurance coverage. While this would not affect the carrier's liability to shippers of \$4.41 per kg, it might affect the carrier's cost structure and claims handling.

In order to respond to this issue, the APTC surveyed a selected group of shippers from amongst its subscribers. Exactly 50% of those responding felt carriers should be required by regulation to maintain cargo insurance; while the other 50% felt such regulation was unnecessary and carriers should be permitted to self-insure.

The APTC replied to the Task Force, expressing the view that market forces should be the prime factor in determining the level of service provided. Economic regulatory control should be minimized as excessive regulation generally results in a higher cost system for carriers and shippers.

In regard to the coverage requirement for cargo insurance, the APTC sees no need to change the current situation. Claims settlement does not appear to be a problem for shippers in Atlantic Canada. Those provinces which do not currently have a cargo insurance requirement need not implement such regulation. A national standard is not required. Individual provinces should determine their positions based upon the needs of shippers within their jurisdictions. This matter remained outstanding at year end.

The CCMTA Task Force, prior to the conclusion of the year, had begun an examination of the requirement for joint carrier-shipper liability for vehicle weights and security of loads.

